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POLICY

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Philippine Market Opens to Multiple U.S. Fresh Vegetables

Report Categories:

Trade Policy Monitoring

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Report Highlights:

On June 30, 2014, the Philippines formally opened its market to U.S. fresh celery, lettuce, and cruciferous vegetables (e.g. broccoli and cauliflower). As the only country with official access to the entire Philippine market for these temperate climate vegetables (which are in limited supply domestically), U.S. suppliers are poised to take advantage of export opportunities to the booming Philippine food service and retail sectors. Trade contacts estimate U.S. fresh vegetable export sales as a result of the opening of the market could reach \$1 million within two years.

General Information:

The Philippine Department of Agriculture's (DA) regulation allowing complete market access for fresh celery, lettuce and crucifers from the United States took effect on June 30, 2014. Previously, the DA had only allowed limited, intermittent importation of these vegetables specifically destined for hotels, restaurants, and high-end supermarkets.

The Philippines grows limited quantities of celery, lettuce and cruciferous vegetables in elevated areas. Consistently supplying the multitude of hotels, restaurants, supermarkets and other retail outlets with quality product continues to be a challenge for Philippine producers due to limited production area, and the lack of cold chain infrastructure and adequate post-harvest facilities. Availability, consistency and quality issues become even more pronounced during the rainy season (roughly June to October).

Currently, Australia (under the DA's restricted and intermittent policy of allowing imports for the high-end market), is far and away the largest exporter of these products to Philippines with 2013 sales at roughly \$200,000 (according to Global Trade Atlas data) while U.S. exports (almost exclusively celery) only reached \$57,000. Now that there is a formal access agreement in place for the entire Philippine market, multiple trade contacts forecast U.S. sales could reach \$1 million within two years. U.S. suppliers and Philippine importers now have much stronger incentive to cultivate trade relationships in order to supply the rapidly expanding food service and retail sectors.

Like all fresh vegetable importation, an accredited importer must first secure an SPS Import Permit from the DA's Bureau of Plant Industry prior to shipment. Also, all U.S. fresh vegetable shipments must be accompanied by a U.S. Department of Agriculture (USDA) Animal and Plant Health Inspection Service (APHIS) Phytosanitary Certificate attesting to all quarantine requirements and conditions covered by the Plant Quarantine SPS Import Clearance.

Key import requirements in this market access regulation include:

1. Product must be certified in accordance with requirements of the U.S. Fresh Vegetable Export Program.
2. Product can only be sourced from California and Arizona (the DA has indicated that additional states can be added to the regulation provided they submit the appropriate pest risk information).
3. Product must be sorted, cleaned/washed in chlorinated water and pre-cooled (if needed).
4. Product must be packed in new and clean packing containers, in bags that shall be placed inside carton boxes.
5. Each carton shall be sealed and labeled with "FOR EXPORT TO THE PHILIPPINES" and affixed with an information label which will include county or district of origin and the individual shipper/grower.

Most Favored Nation (MFN), ASEAN-Australia-New Zealand FTA (AANZFTA) and ASEAN-China FTA (ACFTA) tariff rates for celery and cruciferous vegetables are equivalent and range from 20-25 percent. Regarding lettuce, MFN and AANZFTA tariff rates are both 25 percent while the ACFTA rate is 20 percent.

A full copy of the regulation is attached.